

MARTIN-McNEELY MINES, LIMITED

Annual Report



For the Year Ended December 31, 1974

Martin-McNeely Mines, Limited

DIRECTORS

H. DAHL-JENSEN	-	-	-	-	-	-	-	-	-	Unionville, Ontario
J. E. J. FAHLGREN	-	-	-	-	-	-	-	-	-	Cochenour, Ontario
R. E. FASKEN	-	-	-	-	-	-	-	-	-	Mississauga, Ontario
G. B. HENNING	-	-	-	-	-	-	-	-	-	- Toronto, Ontario
DAVID DOIG	-	-	-	-	-	-	-	-	-	- Toronto, Ontario
G. T. SMITH	-	-	-	-	-	-	-	-	-	- Toronto, Ontario
R. M. SMITH	-	-	-	-	-	-	-	-	-	- Oakville, Ontario

OFFICERS

G. T. SMITH	-	-	-	-	-	-	-	-	-	-	President
DAVID DOIG	-	-	-	-	-	-	-	-	-	-	Secretary
R. D. SHERMAN	-	-	-	-	-	-	-	-	-	-	Treasurer

Transfer Agent and Registrar

CANADA PERMANENT TRUST COMPANY
Toronto, Ontario

Auditors

ALLEN, MILES, FOX & JOHNSTON, TORONTO

Head Office

Suite 1806, Commercial Union Tower
Toronto Dominion Centre
Toronto, Ontario M5K 1K2

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 2:30 p.m. Wednesday, June 25, 1975, in Pier 9, the Harbour Castle Hotel, One Harbour Square, Toronto, Ontario.

MARTIN-McNEELY MINES, LIMITED

TO THE SHAREHOLDERS:

Your Directors submit herewith the Annual Report of Martin-McNeely Mines, Limited, for the year ended December 31, 1974, together with its audited financial statements for the year then ended.

The Company's principal activity during the year was the exploration-development programme on the Wilmar in which Martin-McNeely holds a 35% interest. This work was carried out and managed by Cochenour Willans Gold Mines Limited.

WILMAR MINES LIMITED

Exploration and Development Programme

The No. 1 Shaft at Cochenour and the main drift on the 1300 level to the Wilmar winze and to the Granodiorite zone in the west drift were rehabilitated. This programme was initiated on April 4th 1974 under a contract with E. Tremblay & Sons Inc. of Siscoe, Quebec, and followed with a 750 foot long drift 300 feet to the south of the granodiorite zone on the 1300 level to establish five diamond drilling stations to afford favourable conditions to explore and test the zone up and down dip.

The drift was completed and the five stations cut, following which 7,623 feet of underground diamond drilling was undertaken on a regular geometric pattern down to the 1800 level horizon and up to the 700 foot horizon.

At the same time 8,869 feet of surface diamond drilling was carried out to intersect the granodiorite zone to a vertical depth of 700 feet.

The Wilmar hoist room was enlarged and a hoist purchased and installed. This is a C.I.R. 48" x 36" Double Drum Electric Mine Hoist. The Wilmar shaft was dewatered.

There was some anxiety as to whether the stopes previously filled with classified mill tailings and subsequently flooded during the shut-down would release during the dewatering and allow the tailings to move down to the shaft. Part of the tailings fill did move down to the drift below, but fortunately did not spread out to reach the shaft area.

Exploration drilling provided additional intersections in the Breccia and Carbonate structures in the east zone, which further substantiated the potential of these zones.

The total cost of the 1974 development programme was \$528,358. An additional amount of \$60,002 was expended for fixed assets, including mine hoist, ten mine cars, mucking machine, battery locomotive and battery charger.

Summary

The West Granodiorite Zone has been proved to have continuity from surface to the 1800 level (1600 vertical feet). The tonnage potential indicated is 3.15 to 4.5 million tons. The indicated grade is 0.076 to 0.131 ounces gold per ton. The nature of the gold occurrence is erratic, yet a pattern of dominant flat-lying fracture veining is apparent. It was, therefore, deemed necessary to recommend to proceed with the mining of 25,000 tons of gold bearing material by the shrinkage stope method to provide 20,000 tons for a milling

test to evaluate the possible economic viability of mining this structure. The recommendation was approved.

Cochenour and Martin agreed to provide further financing of \$600,000 for the mining and milling programme in 1975 and this programme is well advanced.

Mining: The granodiorite zone is situated 8,000 feet from the No. 1 Cochenour shaft. The test stope (which is being mined by the shrinkage method) preparatory work included a 125 foot Slash drift, 500 foot Raise Manway and 8 Draw Points. The stope has a length of 125 feet, is 20 feet wide at the west end and 50 feet wide in the east end. Mining will be over a vertical height of 60 feet plus and should provide reliable information as to the ore potential of the zone.

Milling: The Cochenour mill, crusherhouse and conveyorway were rehabilitated and milling commenced on March 26, 1975. The actual mill test began on April 17th. Operations are on an average minimum tonnage of 150 tons per day until mining in the shrinkage stope is completed when it is expected to move up to milling 300 tons per day, starting June 1st. The Mill test will be completed around the end of June.

Wind Sock Porphyry Zone: Low grade values in gold were reported from work undertaken in the 1930's on this porphyry zone. During 1974, six diamond drill holes were drilled for a total footage of 1,038 feet to test this structure. Values returned were too low to be of economic interest.

Winze Area: Cochenour and Martin approved an additional \$100,000 appropriation to continue work on the East Breccia and Carbonate zones in the winze area. Further drilling and some development will be carried out to prepare these zones for mining. Ventilation is being installed, and some stope preparation has been completed.

Mining is underway and the mining cycles will be increased in the developed stopes during the milling test of the granodiorite, when the miners are released from the shrinkage stope, so that ore from the east area can be milled upon the completion of the milling test.

ANNCO MINES LIMITED

The Annco Mines Limited property, in which Martin holds a 44.8% interest, remains dormant. The mine workings are flooded and no additional work is currently contemplated.

Viking Gas Project

Gross Income for the year from the project which went on stream late last summer amounted to only \$17,000 and after lease expenses, well completion expenses, etc., net income was virtually nil. Fortunately, early start-up problems now appear overcome and unitization of the field which became effective February 1, 1975, should improve operating efficiency.

The Company expects a cash flow in 1975 of approximately \$35,000 from its interest in this project, which, with higher gas prices and additional drilling, should increase to \$60,000 in 1976.

A seismic programme was carried out in February and March 1975, and indicated additional prospective drilling locations. An additional four wells are planned for completion this summer, which should increase the productive capability of the field.

On behalf of the Board of Directors,

G. T. SMITH,
President.

May 23, 1975.

MARTIN-McNEELY

Incorporated under the law

Balance Sheet as at

(with comparative figures)

ASSETS

Current	1974	1973
Cash	\$ —	\$ 2,442
Marketable securities, at cost (quoted market value \$341,348, \$456,200 in 1973)	333,174	244,134
	<u>333,174</u>	<u>246,576</u>
 Participation in other companies (note 1)		
Advances to Wilmar Mines Limited	205,926	—
Shares in other companies, at cost less amounts written off (no quoted market value)	220,291	220,624
	<u>426,217</u>	<u>220,624</u>
 Mining Properties		
Patented mining claims situated in the Township of Dome in the District of Patricia, Ontario, at cost	99,470	99,470
	<u>99,470</u>	<u>99,470</u>
 Deferred Charges and Other Assets		
Deferred exploration and administrative expenditures (note 2)	351,289	305,875
	<u>\$1,210,150</u>	<u>\$ 872,545</u>

MINES, LIMITED

the Province of Ontario

December 31, 1974

(at December 31, 1973)

LIABILITIES

Current

	1974	1973
Bank overdraft	\$ 24,241	\$ —
Bank loan (secured by marketable securities)	57,000	140,000
Accounts payable and accrued liabilities	48,393	7,978
	<u>129,634</u>	<u>147,978</u>

SHAREHOLDERS' EQUITY

Capital Stock (note 3)

Authorized

10,000,000 shares of no par value

Issued

7,189,003 shares	2,044,520	1,687,819
Deficit	964,004	963,252
	<u>1,080,516</u>	<u>724,567</u>

Approved on behalf of the Board:

"G. T. SMITH", Director.

"R. M. SMITH", Director.

<u>\$1,210,150</u>	<u>\$ 872,545</u>
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MARTIN-McNEELY MINES, LIMITED

STATEMENT OF DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENDITURES

For the Year Ended December 31, 1974
(with comparative figures for 1973)

	1974	1973
Balance deferred at beginning of year	\$ 305,875	\$ 198,451
Exploration		
Acreage and municipal taxes	101	106
Participation in farmout agreement (note 2)	14,324	101,669
	<u>14,425</u>	<u>101,775</u>
Administrative		
Directors' fees	875	525
General	777	1,846
Interest on bank loan	8,262	6,193
Office expense	319	513
Office rent	1,015	600
Professional fees	4,087	400
Shareholders' information	7,609	2,638
Transfer agent's fees and expenses	11,459	1,894
Rights offering expense	8,763	—
	<u>43,166</u>	<u>14,609</u>
Total exploration and administrative expenditures for the year	<u>57,591</u>	<u>116,384</u>
Balance deferred before the following	<u>363,466</u>	<u>314,835</u>
Investment income		
Interest	2,295	118
Dividends	9,882	8,842
	<u>12,177</u>	<u>8,960</u>
Balance deferred at end of year	<u>\$ 351,289</u>	<u>\$ 305,875</u>

MARTIN-McNEELY MINES, LIMITED

STATEMENT OF DEFICIT For the Year Ended December 31, 1974 (with comparative figures for 1973)

	1974	1973
Deficit at beginning of year	\$ 963,252	\$1,015,409
Add		
Participation in mining syndicates written off	—	8
Loss on sale of investments	752	—
	<u>964,004</u>	<u>1,015,417</u>
Deduct		
Gain on sale of investments	—	52,018
Recovery of participation in mining syndicate	—	147
	<u>—</u>	<u>52,165</u>
Deficit at end of year	<u>\$ 964,004</u>	<u>\$ 963,252</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION For the Year Ended December 31, 1974 (with comparative figures for 1973)

	1974	1973
Source of Funds:		
Investment income	\$ 12,177	\$ 8,960
Gain on sale of investments	—	52,018
Recovery of participation in mining syndicate	—	147
Proceeds on issue of capital stock	356,701	—
Proceeds on sale of shares in other companies	581	—
	<u>369,459</u>	<u>61,125</u>
Application of Funds:		
Exploration and administrative expenditures	57,591	116,384
Participation in other mining companies	206,926	199,000
	<u>264,517</u>	<u>315,384</u>
Increase (decrease) in working capital	104,942	(254,259)
Working capital at beginning of year	98,598	352,857
Working capital at end of year	<u>\$ 203,540</u>	<u>\$ 98,598</u>

MARTIN-McNEELY MINES, LIMITED

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 1974

1. Advances

During the year, the company entered into an agreement with Wilmar Mines Limited to advance up to \$175,000 to finance exploration and development on the Wilmar Mines Limited property in the Red Lake area of Ontario. In return for each dollar advanced, Wilmar Mines Limited will issue one fully paid and non-assessable share. Subsequent to December 31, 1974, this agreement was amended to increase this participation to a maximum of \$420,000.

As of December 31, 1974, the company had exercised its option to convert the advance into shares of Wilmar Mines Limited to the extent of the \$90,000.

2. Deferred Exploration and Administrative Expenditures

The company has a 12½ % interest in a farmout agreement on certain lands in the Viking area of Alberta subject to overriding royalties and an option to convert an overriding royalty to a 50% working interest which would result in the company's interest being reduced to 6¼ %.

The company's 12½ % share of the costs to date, amounting to \$169,867, have been included in deferred exploration costs. These costs are to be written off against the company's share of revenues which are expected to be realized from commercial production of the project.

3. Capital Stock

During the year, the company received approval to amend its articles of incorporation increasing its authorized capital from 6,000,000 shares with a par value of \$1 each to 10,000,000 shares without par value.

The company then offered to its shareholders, the right to purchase additional capital stock on the basis of one share for each three shares held at a price of 30¢ each resulting in an additional 1,189,003 shares being issued and fully paid for.

4. Income Taxes

Potential income tax benefits arising from the claim for income tax purposes of deferred exploration and administrative expenditures have not been recognized in the accounts. Such tax losses carried forward approximate \$204,000 (\$148,000 in 1973).

AUDITORS' REPORT

To the Shareholders of
Martin-McNeely Mines, Limited

We have examined the balance sheet of Martin-McNeely Mines, Limited as at December 31, 1974 and the statements of deferred exploration and administrative expenditures, deficit and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1974 and the results of its operations and the changes in financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 30, 1975.

ALLEN, MILES, FOX & JOHNSTON,
Chartered Accountants.

